

READY FOR **LAUNCH!**

ORIENT BELL LIMITED | ANNUAL REPORT 2012-13



Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Orient Bell Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Orient Bell Limited annual report 2012-13.

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Orient Bell Limited is one of India's largest ceramic tiles players with a 37-year industry presence.

The management built on its Bell Ceramics acquisition in December 2010 with a decisive 2012-13 initiative.

Extending to the manufacture of digital tiles from the fourth quarter of FY13.

The result is that even as markets remained sluggish in 2012-13, the Company reported a 110 bps EBIDTA margin increase to 10.6%.



**ENHANCING VOLUMES,
ENRICHING VALUE.**



ABOUT US

Orient Bell Limited is one of India's largest ceramic tile manufacturers with a market share of 9% (capacity of 70,000 sq. m per day).

WHAT IS OUR STRATEGY?

To strengthen our business and enhance long-term shareholder value.

HOW WILL WE ACHIEVE THIS?

By reinforcing our position as a preferred partner for our specifier community (architects, interior designers, network and channel partners and retail customers). By providing the industry's widest product range across price points. By enhancing aesthetic and functional value of the customer's space. By providing superior and time-bound service.

WHAT IS OUR FOCUS?

Increase the production of digital tiles and patented-technology products. Optimise our cost structure. De-leverage our Balance Sheet.

SALES FOOTPRINT

Strong presence across Western, Eastern and Southern India through a network of nine exclusive Orient Tiles Boutiques (company-owned and operated), 3,000+ dealers and sub-dealers, 40 warehouses/sales and marketing offices and 600 sales and display counters in multi-brand shops. A strong virtual presence through www.orientbell.com, enabling customers to browse and select products.

PRODUCTS

Wide range of floor tiles (ceramic, vitrified and ultra-vitrified) and wall tiles (base tiles, structured highlighters and picture tiles) in addition to digital tiles. Filed for patents for Cool Tiles (keeps surface temperature cooler by about 5°C to 20°C) and Life Tiles (germ-free, self-cleaning and air purifier) in FY13 in addition to patents filed for Forever Tiles (highest abrasion-resistant tile surface) and Germ-free Tiles (germicidal and safe for humans, tiles).

LISTING

Equity Shares listed on the Bombay and National Stock Exchanges; market capitalisation stood at ₹ 95 crores (31 March 2013).

KEY CUSTOMERS

AIIMS, AIPL Ambuja, Ambience Ltd, Amrapali Group, Ansal Housing, BPTP, Brahmaputra Infrastructure, DLF, Emaar MGF, GAIL, Indiabulls, L&T, NBCC, NCC Ltd, Omaxe Infrastructure, Police Housing (Delhi and Haryana), Shapoorji Pallonji and Today Homes, among several others.

SHOWPIECE PROJECTS

Provided design expertise to prestigious institutions/edifices like Rashtrapati Bhavan, Delhi High Court, Delhi Metro Rail Corporation, Kolkata airport (new) and ITC Sonar Hotel Kolkata, among several others.

Core IQCAPP values

I Integrity

- We have the highest level of integrity of character
- We display transparency in communication and feedback

Q Quality

- We provided the highest quality products and services and seek regular feedback for improvement
- We set high levels of benchmarks to judge self and subordinates on quality, on an ongoing basis

C Customers

- We treat our internal and external customers with respect
- We constantly work to delight customers

A gility

- We execute all plans as per agreed timelines
- We believe in getting more done in similar or lesser time
- We show a sense of urgency in conducting a collective business

P artners

- We believe in maintaining cordial relationships with our business partners
- We seek active engagement and delight of our business partners

P erformance

- We take ownership and deliver expected business performance
- We are aware of our business goals and constantly strive to achieve them

Asset portfolio

Location	Land spread (acres)	Annual installed capacity (mn sq. m)	Product portfolio	Production 2012-13 (mn sq. m)	Sales* 2012-13 (mn sq. m)
Sikandrabad, Uttar Pradesh	40 acres	14	Wall and floor tiles (all sizes)	13.13	12.74
Dora, Gujarat	28 acres	3	Floor tiles (all sizes)	1.90	1.78
Hoskote, Bengaluru	29 acres	8	Floor tiles (all sizes)	5.92	5.73

*Manufactured sales only



READY FOR LAUNCH... THROUGH ORIENT AND BELL DIGITAL TILES

- Invested ₹ 25 crore in eight digital printers across 90% of our production lines in Sikandrabad, Dora and Hoskote plants (cumulative 55,000 sq. m per day capacity, one of the largest in India's tiles industry)
- The digital printers with eight printing heads (as opposed to the conventional four to five printing heads installed on the printers of most Indian domestic tile manufacturers); this enhances design flexibility, value-addition and aesthetics, translating into a premium in realisations
- The majority of the digital printers were commissioned only during the last quarter of FY13 and hence the digital output is expected to increase in FY14
- Created a large portfolio of designs across different sizes in wall and floor tiles

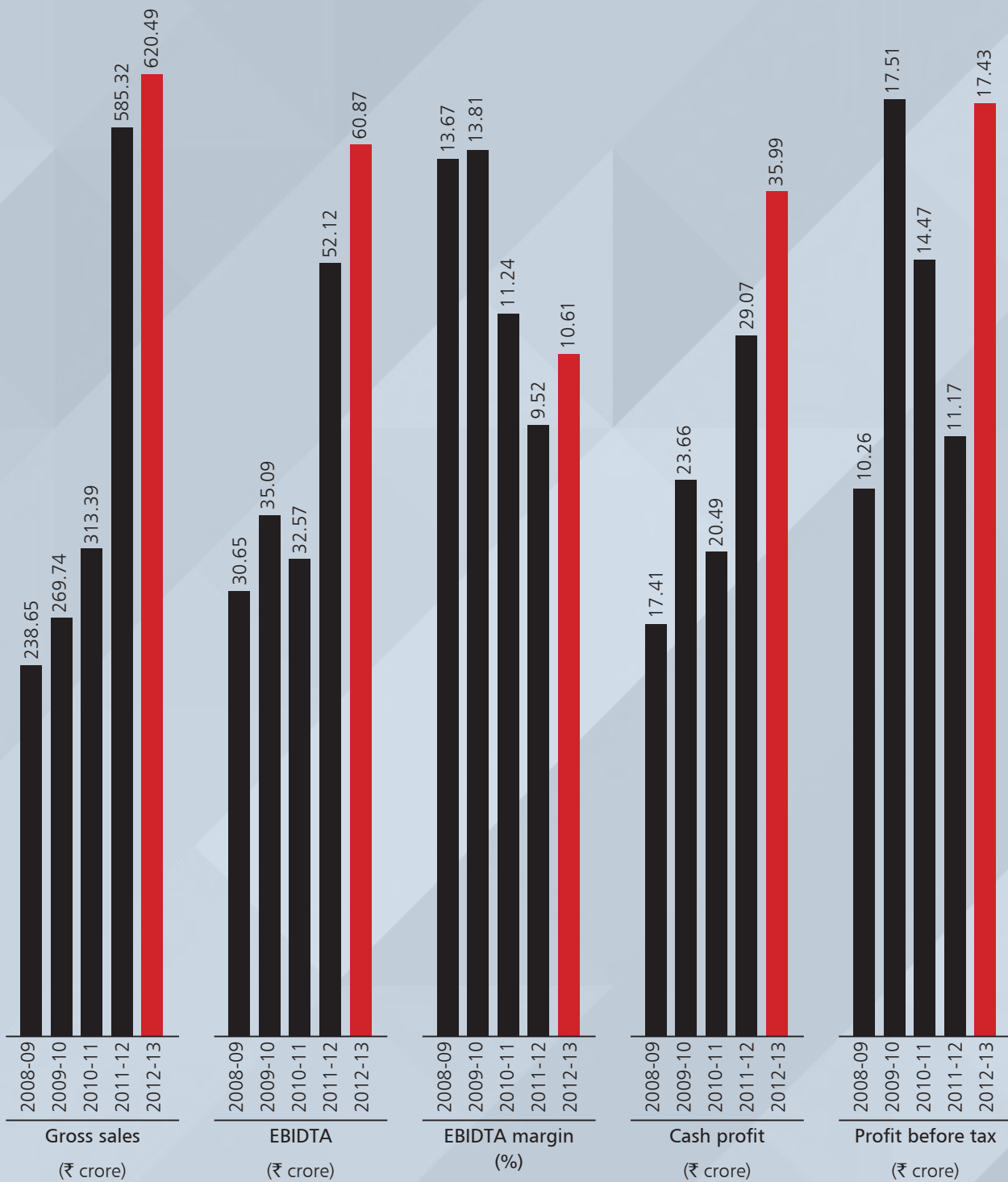
KEY 2012-13 HIGHLIGHTS

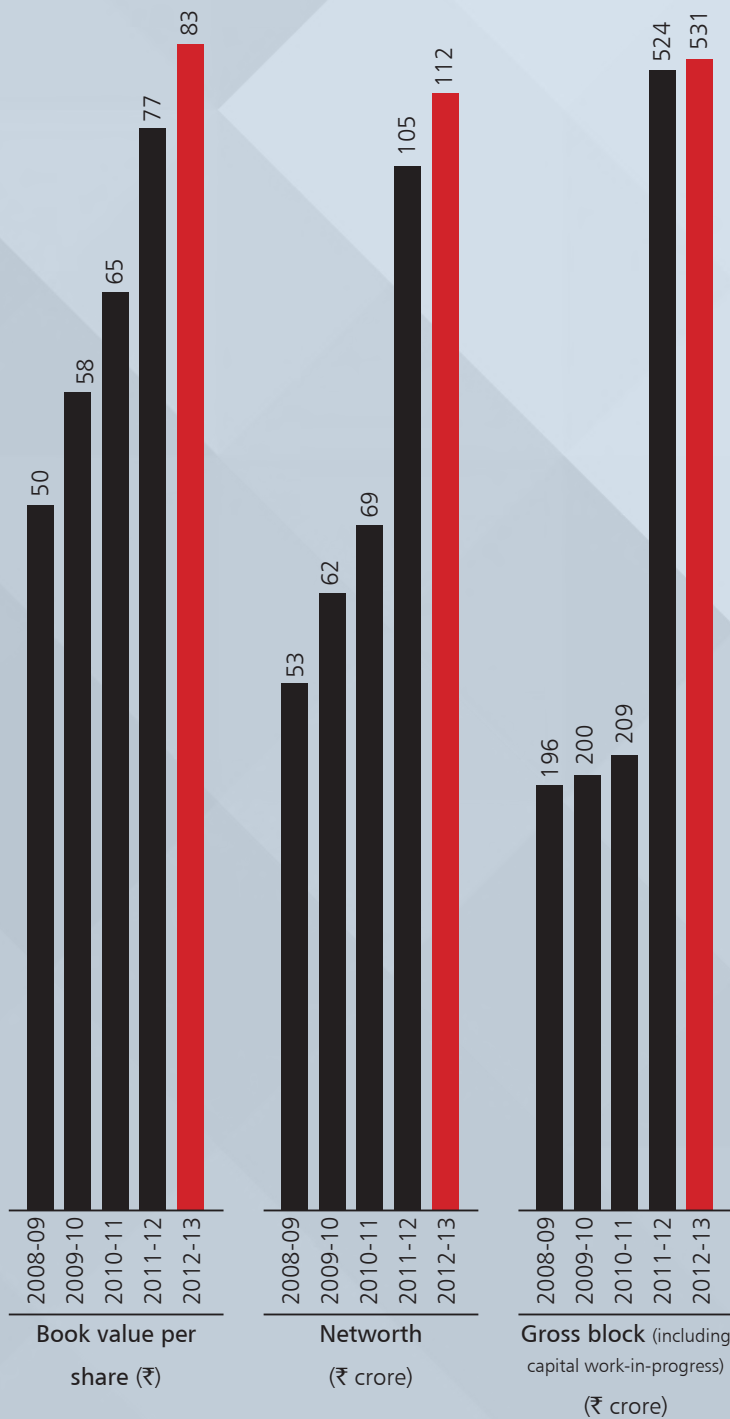
- First line quality improved by 3%
- Launched the unconventional e-slantier and e-showroom programmes on the Company's website for customers to select designs and undertake permutations, translating into increased orders from Indian and international customers
- Established 42 Orient Tiles Boutiques in cities and towns like Jodhpur, Vishakhapatnam, Nellore, Amritsar, Jaipur, Pune, Rewari, Warangal, Pilani and this list is expected to reach to 100 exclusive and multi-point distributors, enhancing our distribution network to 4,000 dealers.
- Continued to launch patented tiles – Cool Tiles (can bring down the inside building temperature by 5^o-20^o Celsius) and Life Tiles (germ-free, self-cleaning and smog-eating tiles) – in addition to the two existing patents of Forever Tiles and Germ-free tiles
- Changed taglines for both Orient ('Har Ghar Khoobsurat Hai') and Bell ('Your House Made Sweet Home') brands; launched jingles/caller tunes for both to strengthen the customer connect

KEY 2012-13 FINANCIAL HIGHLIGHTS

- Reported 6.14% growth in topline (gross) to ₹ 620 crore
- Average tiles realisations increased 9.35% to ₹ 245 per sq. m
- Reported a 55% increase in traded goods through the outsourcing of digital tiles
- Reduced the receivables cycle from 53 days of turnover equivalent to 47 days
- EBIDTA increased 17% to ₹ 61 crore; EBIDTA margin rose 110 bps to 10.6%
- Enhanced credit rating from BBB to BBB+ from Crisil and SB8 to SB7 from SBI (lead consortium working capital financier)
- PBT increased 56% to ₹ 17.43 crore; PAT declined 27% to ₹ 9.83 crore following a deferred tax provision; without this provision, net profit would have increased 56% to ₹ 17.43 crore
- Declared a dividend of 15% (₹ 1.50 per Equity Share)

READY FOR AN EXCITING FUTURE – THE NUMBERS BEHIND OUR STORY





Revenue growth

6%

2011-12 ₹ 585 crore
2012-13 ₹ 620 crore

EBIDTA growth

17%

2011-12 ₹ 52 crore
2012-13 ₹ 61 crore

Cash profit growth

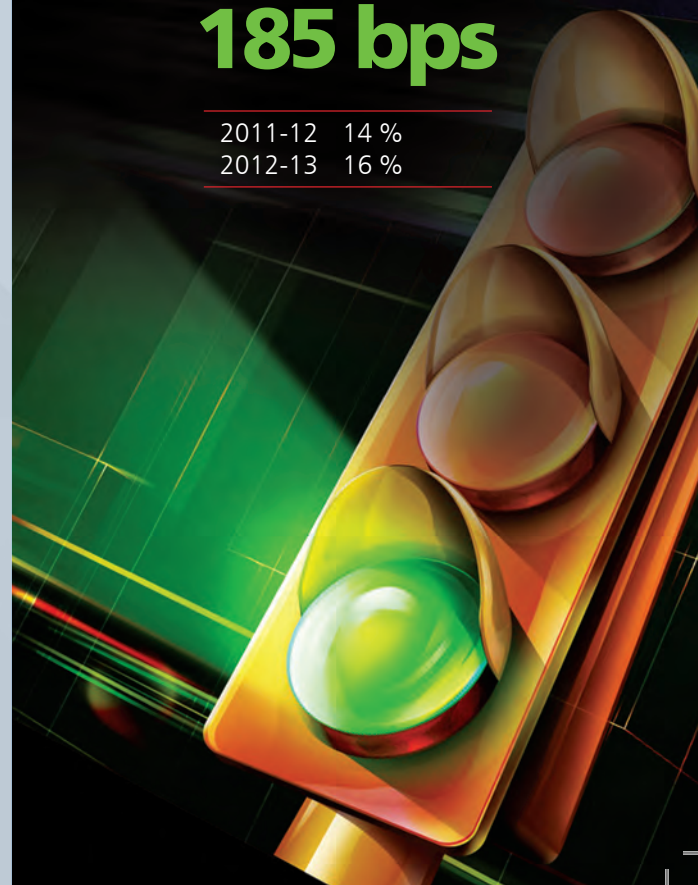
24%

2011-12 ₹ 29 crore
2012-13 ₹ 36 crore

ROCE growth

185 bps

2011-12 14 %
2012-13 16 %



THE BIG PICTURE

"THE YEAR 2012-13 WAS A DECISIVE ONE AT ORIENT BELL. WE ENHANCED OUR FOCUS ON THE DIGITAL TILES SPACE AS A FUTURISTIC TECHNOLOGY AND ORDERED EIGHT STATE-OF-THE-ART ITALIAN DIGITAL PRINTERS TO ENABLE US TO PRINT DIGITAL TILES ON 9 OUT OF 10 PRODUCTION LINES ACROSS OUR PLANTS, ENHANCING OUR COMPETITIVE EDGE OVER THE LONG-TERM".

Mahendra K. Daga,
Chairman and Managing Director



On Orient Bell's 2012-13 performance

The year 2012-13 was a decisive one for our Company as we enhanced our focus on the digital tiles space as a future technology and ordered eight state-of-the-art Italian digital printers. Even as we increased the outsourcing of digital tiles for our Orient and Bell brands starting at the beginning of last year, we took this initiative one step ahead through the commissioning of eight digital printers across 90% of our production lines during the last quarter of FY 13. Following commissioning, our digital tiles revenues during the last quarter surged 154% over the previous quarter, which is a sign of things to come.

On the rationale for entry in the digital tiles space

Orient Bell's entry into the digital tiles space enables us to leverage our long-standing sectoral presence, strengthening our profitability.

- The technology makes it possible to reduce time-to-market from a conventional 30 days to three hours
- Small tile batches can be produced without incurring high costs, encouraging customisation
- Digital tiles command gross margins 10-20% higher than conventional tiles
- Quality output is better since the printing medium does not touch the tiles

On the entry timing into the digital tiles space

As a conscious corporate strategy, we refrained from investing in the digital tiles technology as soon as it came into the country, preferring to wait and watch on how consumers reacted to this new development. Once we read the signs right, we immediately ordered eight state-